# Table of Contents

I. Commission Performance and Operation for the 2009-2011 Biennium
- Gas and Energy  
  Pages 3-8  
- Telecommunications  
  Page 7  
- Water, Compliance, and Consumer Affairs  
  Page 8

II. Major Programs Goals and Objectives for 2011-2013
- Introduction  
  Page 9  
- Administrative Services  
  Page 10  
- Gas and Energy  
  Pages 11-12  
- Telecommunications  
  Page 13  
- Water, Compliance, and Consumer Affairs  
  Page 14

III. Flexible-Time Work Schedules and Other Alternative Work Patterns  
  Page 15

IV. PSC Contact Information  
  Page 16
The Public Service Commission of Wisconsin’s 2009-2011 biennium included significant regulatory decisions and the completion of several major studies and reports that will help continue the Commission’s mission to ensure that reliable, safe, sufficient, and reasonably-priced service is provided to all of Wisconsin’s utility customers. Some highlights from the 2009-2011 biennium include:

- **New Summer Peak Electric Demand Set in 2011**: Both Wisconsin and the Midwest Independent Transmission System Operator (MISO) footprint set new peak electric demand records during a lengthy heat storm during the week of July 18th, 2011. Due to generation and transmission infrastructure construction in Wisconsin during the past 10 years and with optimal energy dispatch from MISO, reliability and adequacy was maintained and no firm customers were required to shed load.

- **The Commission was recognized as a 2011 WaterSense Partner of Excellence by the United States Environmental Protection Agency (EPA)**. The Commission received the award for its efforts to increase awareness of the WaterSense program by working with Wisconsin water utilities, plumbers, and other organizations to promote water efficiency and for its participation in events such as “Fix-A-Leak Week” and the “We’re for Water” campaign.

- **In 2011, the Commission hosted two African energy regulators from Gambia and Malawi, respectively, as part of the National Association of Regulatory Utility Commissioners (NARUC) international program known as the Clean Energy Series.** The purpose of this NARUC program is to educate foreign regulators about the challenges that renewable energy initiatives can pose to regulatory bodies.

- **In 2009 and 2010, audits of the Universal Service Fund by the Legislative Audit Bureau found no errors requiring management response.** The Commission’s fiscal bureau continued to provide accurate billing and financial reporting for revenues collected by Commission to support programs operated by the Department of Administration; Department of Natural Resources; and Department of Agriculture, Trade and Consumer Protection.
Gas and Energy

Major Policy Initiatives for 2009-2011 Included:

Wisconsin’s Renewable Portfolio Standard (RPS): Enacted in 2006, Wisconsin’s RPS requires utilities to provide a certain percentage of the electricity they sell from renewable resources. Each electric provider has its own baseline requirement, and electric providers have been meeting this standard each year since the RPS was enacted in 2006. 2010 was the first year that each electric provider had to increase its renewable energy percentage by 2 percent above its baseline, and all electric providers met this requirement. Providers collectively derived over 7.3 percent of Wisconsin’s electricity from renewable resources in 2010, and many have made significant progress towards meeting the higher standards of 10 percent they will need to reach by 2015.

Wind Siting Rules: In the fall of 2009, the Legislature directed the Commission to establish uniform wind siting rules that would affect a political subdivision’s authority over wind energy systems. The Commission promulgated the wind siting rules at the end of 2010, and they were slated to take effect in March 2011. However, on March 1, 2011, the legislative Joint Committee for the Review of Administrative Rules voted to suspend the rules from taking effect. The rules continue to be suspended at this time, as the PSC works with stakeholders to ensure the concerns of neighboring property owners are addressed.

Advanced Renewable Tariffs: In January of 2009, the Commission opened an investigation docket to examine the availability and use of advanced renewable tariffs (ARTs, also known as feed-in tariffs) in Wisconsin, as well as to promote greater uniformity in the ARTs offered by Wisconsin electric utilities. First, the Commission requested public input on a series of questions relating to the implementation of ARTs in Wisconsin. Then, in October of 2009, the Commission held a Technical Conference with utilities to gather up-to-date information about utility efforts and future plans regarding ARTs. In December 2010, the Commission accepted the final status report.

Major Commission Electric Construction Decisions for 2009-2011 Included:

Columbia Power Plant Scrubbers: On March 14, 2011, the Commission authorized Wisconsin Power and Light Company, Wisconsin Public Service Corporation, and Madison Gas and Electric Company, as joint owners, to construct and install air emissions reduction equipment at the Columbia Energy Center, Units 1 and 2, at an estimated cost of $627 million. The authorized improvements will substantially reduce sulfur dioxide emissions from these coal-fired units which have a combined output capability of approximately 1,023 megawatts. These improvements are expected to be in service by mid-to-late 2014.

Edgewater Generating Station Unit 5: On May 27, 2010, the Commission authorized Wisconsin Power Company and Wisconsin Electric Power Company, as joint owners, to construct and install select catalytic reduction equipment on Unit 5 of the Edgewater Generating Station at an estimated cost of $154 million. These improvements will significantly reduce nitrogen oxide emissions from Unit 5, a coal-fired unit which has an output capability of 380 megawatts. The authorized improvements are expected to be in service by 2013. (Subsequent to the Commission’s authorization of these improvements, on November 30, 2010, the Commission authorized the sale of Wisconsin Electric Power Company’s 25-percent ownership share of Unit 5 to Wisconsin Power and Light Company.)
Gas and Energy, Continued

Rothschild Cogeneration Facility: On May 12, 2011, the Commission authorized Wisconsin Electric Power Company to construct a 50-megawatt, biomass-fired cogeneration facility at the site of the Domtar Corporation’s Mill in the village of Rothschild, at an estimated cost of $255 million. The authorized generator will help satisfy Wisconsin Electric Power Company’s renewable generation portfolio requirements under state law and will be fired primarily by timber waste from logging operations. The unit will also supply waste steam for Domtar’s paper mill operations. The plant is expected to come online in late 2013.

Glacier Hills Wind Farm: On January 22, 2010, the Commission authorized Wisconsin Electric Power Company to construct the Glacier Hills Wind Park with up to 90 wind turbines. When operating at full capacity the wind power system can generate up to 207 megawatts in the Towns of Randolph and Scott in Columbia County. The project is estimated to cost $450 million and is expected to be in service by late 2011.

Strategic Energy Assessment – Energy 2016:

In February 2011, the Commission issued the final Strategic Energy Assessment (SEA), Energy 2016, which examined demand and supply conditions in Wisconsin for electricity, planning reserve levels and forecasts, and changes in rates. In addition, the SEA outlined Wisconsin’s progress in energy efficiency measures meeting the 10 percent by 2015 Renewable Portfolio Standard. Developed during 2010 with substantial input from the state’s utilities, the public, and interested stakeholders, the Commission also specifically compiled and analyzed data for the period from 2010 to 2016, predicting new construction, electric generation, transmission infrastructure, and pricing conditions in wholesale electricity markets in our region.

Key findings of Energy 2016:

♦ Due to the current economic downturn and the state’s generation construction program over the past ten years, Wisconsin now has a comfortable planning reserve margin in which adequacy and reliability are expected to remain robust through 2016. In short, Wisconsin has more generation capacity than currently needed to adequately meet our state’s needs.

♦ This excess capacity situation has increased the opportunity for utilities to export power in regional wholesale markets. Such sales directly benefit Wisconsin ratepayers by creating new revenue that can be used to restrain and offset other effects which could increase electricity prices.

♦ The overall trend in peak demand growth was estimated by the state’s utilities to be approximately 1.0 percent per year through 2016. This estimate is down from a previous SEA Report which forecasted a 2.1 percent per year growth rate. The economic downturn and slower than expected recovery have translated into a lower peak demand forecast.

♦ Energy conservation and efficiency will play an increasing role in the industry. An energy efficiency potential study conducted by the Energy Center of Wisconsin for the Commission indicates that by 2012 Wisconsin could obtain annual energy savings equivalent to 1.6 percent of electric usage and peak demand. Current energy efficiency spending targets achieve annual net reductions of approximately 0.6 percent of energy usage.
Gas and Energy, Continued

- The Commission is responsible for ensuring that electric providers comply with Wisconsin’s Renewable Portfolio Standard, requiring the state’s electric providers to obtain 10 percent of their electricity by 2015 from renewable resources such as wind or biomass. Wisconsin continues to be heavily reliant on coal as its primary energy source for base load energy generation, but discussions continue in the Legislature regarding the future of renewable energy sources like wind, hydroelectricity, and solar power, as well as the role of nuclear energy.

- Energy rates continue to increase across customer classes both in Wisconsin and the Midwest in general. Rate increases are generally driven by sales decline due to the slower economy, fuel price volatility, purchased power costs, legislative mandates, and the high fixed-cost nature of the utility business. The Commission continues to investigate ways to mitigate energy rates to ensure Wisconsin remains competitive in a global marketplace.

- The full SEA 2016 report can be accessed at [www.psc.wi.gov](http://www.psc.wi.gov) by clicking the “Library” tab, scrolling down to "Reports,” clicking on “Reports to Legislature,” and then clicking on “2016 Strategic Energy Assessment” link.
Telecommunications

New Area Codes: In recent years the Commission has worked closely with the telecommunications industry to conserve Wisconsin’s limited telecommunications numbering resources. As new telecommunications services have become available, particularly with the significant expansion of wireless communications, numbering resources have been strained in many parts of the state. While conservation efforts have been implemented to preserve numbers, in some areas, more significant action is necessary. The Commission has been actively involved in two significant area code relief efforts. On July 17, 2010, the 534 area code was added to the same geographic area served by the 715 area code, ensuring that an adequate supply of telephone numbers remain available for assignment in that part of the state. A new area code will also be added to the area currently served by the 920 area code. The 920/274 overlay is expected to be completed on January 25, 2014. Information regarding these area code relief projects is available at: [http://psc.wi.gov](http://psc.wi.gov), then clicking “Telecom” and “Area Code Relief.”

Broadband Mapping and Planning: The American Recovery and Reinvestment Act (ARRA) of 2009 provided funding for mapping broadband infrastructure deployment in the state, and for planning for future deployment in rural and underserved areas and populations. In November 2009, Wisconsin received a grant of approximately $1.7 million to fund the first two years of the project. An additional grant of $2.82 was awarded to the state in September 2010 to fund the final three years of the project.

This project is currently engaged in gathering and verifying state-specific data on the availability and location of broadband services in the state. This data has been compiled into a map, accessible over the Internet, so that a business or resident in the state may easily determine the providers of service and the extent of broadband coverage in their respective area. The project may serve to encourage private investment from broadband providers as they are able to pinpoint areas of community need and interest. For additional information, see [www.link.wisconsin.gov](http://www.link.wisconsin.gov).

This project is also developing a region-specific profile for broadband service demand throughout the state and identifying priorities for new investment and development strategies. During this next biennium, the Commission will help facilitate the work of nine regional teams to develop plans to better meet the demand for broadband service. The goal is to complete a study analyzing the demand for broadband services and reasonable ways to meet those needs. The division is not engaged in any specific build-out proposal or infrastructure development, but is facilitating work at the local level with the goal of prioritizing future broadband investment and assisting in attracting private investment for further deployment.
PERFORMANCE AND OPERATION FOR THE 2009-2011 BIENN IUM

Water, Compliance, and Consumer Affairs

Water Construction Cases: The Commission approved 66 water-related construction projects totaling over $130,942,550 during the biennium. These projects typically included booster stations, elevated tanks, wells, and water treatment facilities. During the biennium, the Commission approved a number of treatment projects for small communities, including a $1.8 million project for Withee, a $1.9 million project for Reedsville, a $1.2 million project for Berlin, a $1.7 million project in Amherst and a $1.2 million project in Suring. The Commission also approved $9.3 million in new wells and treatment for Abbotsford, which is located in an area of the state where locating new water sources is difficult.

Simplified Rate Cases: A statutory provision adopted in 1995 allows for inflationary rate increases without a hearing for qualifying municipal water and sewer utilities. In the 2009-2011 biennium, municipal utilities continued their use of this convenient tool. In the two-year period, 184 Simplified Rate Case applications were filed. The average time to process a Simplified Rate Case was 32 days.

Water Rate Cases: During this biennium, 154 water and sewer rate cases were filed. These cases were all filed electronically and processed using the Commission's automated municipal water and sewer rate case processing procedures.
Program goals and objectives for the 2011-2013 Biennium

Introduction

With each biennium comes challenges and opportunities. The Commission continues to work on a number of initiatives in the areas of energy, telecommunications, water policy, and utility regulation to assure reliable services at reasonable rates with as little impact on the environment as possible. Key considerations for the 2011-2013 biennium include:

- It is important that the Wisconsin economy prosper and be globally competitive. The recent recession was the worst since the Great Depression. The Commission has approved, and will continue to develop, innovative electric rate structures to foster economic growth in the state during difficult economic times.

- In 2012, the Commission is embarking on an ambitious endeavor to convert as many of its processes as possible to “paperless” electronic workflow. This effort, the e-Paper Project, will result in a series of small sub-projects focused on making the best use of the agency’s existing electronic document management software and electronic forms. In 2011-2013, the agency will also be moving towards implementing a new Voice-Over-IP telecommunications system coupled with unified messaging software to improve both its customer and internal communication processes.
Program Goals and Objectives for the 2011-2013 Biennium

Administrative Services | Sarah Klein, Division Administrator

The Division of Administrative Services (DAS) is dedicated to providing reliable and cost-effective administrative support services to the Commission and will continue these efforts for the 2011-2013 biennium.

The Office of Information Technology (OIT) began a series of interconnected steps, relating to electronic document management (EDM) and multi-media broadcasting of the Commission’s public hearings and Open Meetings. The Commission replaced and expanded its file and database storage capacity to enable more documents to be stored and catalogued electronically. The Commission also revamped its remote access capabilities to include an EDM website and MS DirectAccess, so that Commission staff can securely access the Commission network and files from anywhere in the world. Finally, the Commission began expanding its Internet broadcast and video conferencing capabilities to enable better public access to PSC processes.

The Fiscal Services Bureau provided budget, accounting and purchasing support for our agency’s grant programs, fee allocations and procurements while continuing efforts to identify efficiencies, streamline procedures, and improve our fiscal policies.

Annual revenues managed by the Fiscal Services Bureau in 2009-2011 grew by $50 million. As managed revenues increased, developing efficient and streamlined fiscal procedures became a priority. In 2010, the Bureau began work on a fully integrated electronic fiscal tracking system to reduce the time needed for fiscal monitoring and increase response time for financial data requests. The Bureau has implemented the first stage of the project, use of FIRSt data for more streamlined budget monitoring and will continue implementation in the upcoming budget year.

The Bureau also completed an update of all Commission fiscal policies. In 2010, the Bureau revised fiscal guideline documents for Commission staff, bringing them up to date with current policy and making them easier to read. Updates to the Travel Guideline document in particular, and fiscal training for new staff implemented in early 2011, are anticipated to reduce time needed to process travel reimbursements. In Spring 2011, the bureau entirely revised Commission’s Internal Control Plan submitted to the State Controllers’ Office. The process of revising the Internal Control Plan provided fiscal staff with an opportunity to take a fresh look at internal controls, and resulted in streamlining some areas and establishing better controls in others. The Fiscal Service Bureau will continue to provide fiscal services for the council’s current grant programs, fee allocations and procurement activities.

The Commission’s Affirmative Action Advisory Council is responsible for assisting in the development and implementation of diversity policies and programs, and coordinating training for new and current employees. With a full slate of activities and training opportunities planned for the coming month, the council is on track for another great year.
Gas and Energy | Bob Norcross, Division Administrator

The Division of Gas and Energy (G&E) is responsible for all major aspects of the Commission’s regulation of electric utilities and provision of natural gas service. The Division also oversees the state’s Focus on Energy program.

**Renewables:** The Commission will continue to review electric provider compliance with Wisconsin’s Renewable Portfolio Standard (RPS). The RPS, enacted in 2006, requires electric providers to provide a certain percentage of the electricity sold at retail from renewable resources. For 2011 through 2013, each electric provider will continue to provide electricity from renewable resources at 2 percent above a baseline level achieved in 2010. Electric providers may also begin using renewable resource credits from additional renewable technologies such as solar water heating, solar light pipes and biomass heating to satisfy RPS compliance obligations.

**Energy Efficiency:** The statewide energy efficiency programs recently completed a transition to a new program administrator. Under the new program administrator, implementation of the programs is in the process of being competitively rebid for the first time since the inception of the programs in 2000. The transition from the current program implementation contractors to those selected as a result of the rebid will occur in 2012 and will streamline operational functionality of the program. The goals and annual targets for the statewide energy efficiency programs were previously established in docket 5-GF-191. However, the Commission will revisit these decisions, because the previously established goals and targets may not be achievable given the state’s fiscal shortfall driven by the economic downturn.

**Transmission:** The Eastern Interconnection States’ Planning Council (EISPC) represents the 39 states and 8 Canadian Provinces located within the Eastern Interconnection electric transmission grid of North America. This is the first time in the nation’s history that these entities will be working together, supported by funding from the U.S. Department of Energy, to evaluate transmission development options throughout the eastern interconnection. The Wisconsin Commission is an active participant in this initiative and was a key proponent of establishing and setting up the initiative. The EISPC is working with respective regional transmission organizations to potentially establish a comprehensive set of policy options including transmission infrastructure build-out to meet the needs of the Eastern Interconnect region. Work is expected to conclude in 2013. The EISPC is set up so that states have an extremely important role in determining infrastructure needs rather than relying on federally-imposed solutions.

The Commission continues to vigorously participate in tariff development being debated by the Midwest Independent Transmission System Operator (MISO) and the Federal Energy Regulatory Commission (FERC) so Wisconsin is fairly represented. Some of the MISO and FERC initiatives involve whether multi-value projects such as new transmission lines that would facilitate the movement of wind energy should be paid for solely by load, and not generators. Another area of interest is MISO’s development of zonal capacity markets for planning reserves to ensure deliverability of resources to load. Recently, the FERC issued Order 1000 requiring a larger role for states in transmission planning at the regional transmission operator, (in this case) MISO, yet requiring the expanded use of competition in future transmission projects. The FERC also is examining the rules and protocols for when it is appropriate to provide financial investment incentives to transmission developers per the Energy Policy Act of 2005.
Gas and Energy | Continued

In all these areas, the Commission has been active on its own initiative or in conjunction with other MISO states via the Organization of MISO States (OMS).

Wisconsin has moved into the position of having sufficient resources to meet its internal electricity energy and demand needs for the near-to-intermediate terms. This means that Wisconsin is in a unique position of selling surplus energy and capacity to directly benefit ratepayers and can reduce electricity rates. The Commission is actively pushing this policy effort with the state’s utilities, MISO, and, as appropriate, the FERC. During Summer 2011, certain Wisconsin utilities were able to sell excess capacity and energy in wholesale markets. This is a good start, but more may need to be done in terms of new transmission as well as tariff changes for the two regional transmission organizations serving the area around Wisconsin, namely, MISO and PJM, in order to make these cost-reduction strategies feasible long-term.
Telecommunications | Brian Rybarik, Division Administrator

The Telecommunications Division is responsible for enforcing state and federal laws governing specific telecommunications services, including carrier-to-carrier interconnection and other wholesale transactions that facilitate competition for services. The Commission also engages in efforts to expand broadband deployment and maintain universal service principles. State laws relating to the regulation of telecommunications services and providers were recently modernized in 2011 Wisconsin Act 22. Implementing the new law will be a top priority for the division. The division will also be following and participating in issues at the federal level, such as intercarrier compensation and universal service reform proposals that will have significant impacts on Wisconsin telecommunications providers and customers. Mapping of broadband service availability and planning for additional broadband deployment in the rural areas of the state will also be a priority for the division in the next biennium.

Universal Service

In 1994, the state enacted a program to promote telephone service in hard-to-serve areas of the state. Universal Service programs were established by administrative rule to assist customers in the state that have relatively high costs of telecommunications services, low-income customers, and disabled customers in obtaining affordable access to basic telecommunication services. 2011 Wisconsin Act 22 removed “access to advanced service capabilities” from the definition of Universal Service.

As provided in § 196.218(3) Wis. Stat., telecommunication providers in the state are required to contribute to the Universal Service Fund (USF). Monthly assessments, based on the provider’s gross operating revenues and the budget level approved in the state budget process are paid by providers. State tax dollars do not contribute to the universal service fund. The Commission recently adopted a new assessment methodology to assess providers on their retail sales of telecommunications services and to implement changes required under 2011 Wisconsin Act 22.

There are four programs areas that have separate appropriations under the USF. While the Commission performs the administrative functions to assess providers for these programs, the Commission does not manage the programs, which are: TEACH, DPI (BadgerLink, Library Aids, Library Contracts and Newslde for the Blind) and UW System telecommunications services. These programs account for the largest portion of the USF assessments collected each year, approximately $36 million per year.

The Universal Service programs that the PSC manages are:

- Assistance to low-income customers (Lifeline, LinkUp, Nonprofit Access Grant Program)
- Assistance to disabled customers (Telecommunications Equipment Purchase Program-TEPP, Nonprofit Access Grant Program, Two-line Voice/Speech Carryover)
- Assistance to customers in high-cost areas of the state (High Cost Rate Assistance)
- Assistance in the deployment of essential telecommunications services (Telemedicine Grant Program, Nonprofit Access Grant Program) that account for approximately $6 million per year.
Program Goals and Objectives for the 2011-2013 Biennium

Water, Compliance and Consumer Affairs | John Schulze, Division Administrator

The Division of Water, Compliance, and Consumer Affairs (DWCCA) is responsible for the regulation of water and combined water and sewer public utilities in Wisconsin. The division offers assistance to all of the state’s utilities in compliance with the statutes, code, and record keeping requirements and the development of consumer affairs policies. It also coordinates consumer information and the resolution of consumer complaints.

DWCCA will reorganize the water and consumer affairs work units in the 2011-2013 biennium. This restructuring will ensure DWCCA’s staffing levels and functions reflect the current needs of consumers and water utilities.

In the consumer affairs unit, the number of total calls received has declined over time, but the types of issues to be resolved are more complex. Additional staff time will be focused on resolving these more technical issues. Consumer affairs will focus on improving customer service standards in the next biennium by reducing call wait times and increasing the response rate to inquiries from consumers and utilities. This will require staff resources dedicated to data analysis to ensure we are meeting these improved standards and continue to provide excellent customer services to Wisconsin’s utilities and their customers.

Water Conservation and Efficiency Program: The Commission actively assists water utilities in implementing reasonable water conservation programs, policies, and rate structures that promote efficiency while adhering to long-standing, cost-based ratemaking principles. Water conservation and efficiency helps utilities to control costs by reducing operating expenses and eliminating or avoiding the need for costly infrastructure investment in new supply. Conservation also helps ratepayers mitigate the effect of rate increases. Since 2007, the Commission has approved conservation-oriented rate structures for residential customers in 16 communities. In addition, the Commission has approved utility-funded incentive programs, such as toilet rebates, in 9 communities. Rate cases with conservation elements are pending for a number of additional utilities. The Commission has incorporated water conservation program elements into its standard rate case and construction authorization processes, saving ratepayers money. The Commission coordinates its programs with the Department of Natural Resources and the Department of Safety and Professional Services (formerly the Department of Regulation and Licensing). In the next biennium, the Commission will be working to update administrative rules to reflect the voluntary and mandatory statewide water conservation programs required by the Great Lakes-St. Lawrence River Basin Water Resources Compact and related statutory provisions of 2007 Wisconsin Act 227.

Public Fire Protection - Rate Filings: As local governments face increasing costs with declining dollars, water utilities are impacted. Specifically, the method used to recover the cost of providing public fire protection is changing. At present, there are 583 water utilities operating in the state. Using statutory authority granted in 1988, 164 developed and received Commission approval to stop charging the Public Fire Protection municipal rate to the general fund and instead recover it directly from ratepayers and other benefiting residents.
Flexible-Time Work Schedules and Other Alternative Work Patterns

The Commission’s policy of offering employees a choice in selecting their work schedules continued during the 2009-2011 biennium. Currently, of the 143 current full-time employees, 45 utilize flexible work schedules a participation rate of roughly 36 percent. These schedules allow employees to adjust their start and leave times and lunch breaks, as well as the number of days in each work week, providing an opportunity for true work-life balance not commonly found in the workplace.
FAX (608) 266-3957
TTY (608) 267-1479
Consumer Affairs (800) 225-7729
General (608) 266-5481
General Toll Free (888) 816-3831
Email PSCRECS@Wisconsin.gov
Web Site http://psc.wi.gov/
PO Box 7854
610 N. Whitney Way
Madison, Wisconsin 53707-7854